

Non-Confidential Document

January 4, 2002

VIA E-MAIL

Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Re: Section 201 Investigation of Imports of Steel:
Exclusion/Comments on Hot-Rolled Steel

On behalf of Pohang Iron & Steel Co., Ltd. (POSCO) and the Korea Iron & Steel Association (KOSA) (Korean Respondents), and pursuant to the notice published October 26, 2001 (66 Fed. Reg. 54321-24), we submit the following comments to the Trade Policy Staff Committee (TPSC) on the President's options under Section 203(a) of the Trade Act of 1930, as amended. POSCO is the sole Korean exporter of hot-rolled steel. Our comments address imports of hot-rolled steel as well as POSCO's exclusion request submitted to the TPSC on November 19, 2001.

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I. Executive Summary

Like slabs, the President should design any relief for hot-rolled steel separately from relief from other flat-rolled products. Title VII measures have largely eliminated imports of hot-rolled steel from the market. For those imports that remain, the tariff recommended by the ITC would have little impact on U.S. producers of hot-rolled steel while severely hurting other U.S. steel manufacturers.

Legacy Costs

Before turning to Korean Respondents' position concerning remedy for flat-rolled products, we call to the attention of the TPSC the fundamental importance of addressing pension, healthcare and environmental costs (legacy costs) to the resolution of the problems facing the U.S. industry. As the Majority of the International Trade Commission recognized:

...absent effective and equitable solutions to these problems
{pension, health-care and environmental legacy costs}, import
relief is unlikely to result in a healthy, viable U.S. steel industry.¹

While the Commissioners recognized that they lack the legal authority to recommend action on these issues, they also recognized that these issues are so important to the ability of this industry to consolidate and rationalize that they singled them out for consideration. They were right to do so.

We fully support the ITC's view with respect to these issues. Specifically, we recommend:

- (1) The Government should establish a fund to contribute to the payment of pension/health-care/environmental costs on a company-by-company basis. Approval of Government legacy cost contributions should be conditioned on a capacity reduction plan--Government contributions should be conditioned on approval of company re-structuring and capacity reduction; and
- (2) The industry proposal to fund these liabilities out of tariffs collected on imports should be rejected. The United States should not create a linkage whereby foreign mills are subsidizing U.S. restructuring. It is a bad policy that will be imitated by U.S. trading partners in other areas for other products. Also, government funds are fungible. The issue is not how much duties may or may not be collected--it is what level of funding is needed to solve the problem. The two issues are entirely separate and should remain so.

¹ *Steel*, Inv. No. TA-201-73 (Dec. 2001) at 374 (majority) (Final Report); *accord* Final Report (Commissioner Okun) at 463.

Not all companies need or want help from the Government. For those that do, there should be stringent requirements to insure that the problem of uneconomic domestic capacity² is addressed as a pre-condition to government participation in the solution.

Hot-Rolled Steel

The Commission acknowledges that existing Title VII measures “already provide some degree of protection to the domestic industry.”³ The extent of that protection in the case of hot-rolled steel has been far-reaching. During the period January - June 2001, imports of hot-rolled steel (excluding Canada and captively consumed imports from Korea) made up only 2.64% of U.S. consumption.

Korean Respondents’ recommendation regarding import relief for hot-rolled steel is as follows:

- The President should exclude from any remedy hot-rolled steel imported by U.S. steel companies for re-rolling into other flat products such as cold-rolled steel, galvanized steel and tin plate. This would be consistent with the U.S. government’s recognition at the OECD that U.S. companies that rely on imported hot-rolled feedstock, such as USS-POSCO Industries (UPI) are in the same competitive position as U.S. companies that rely on slab for feedstock, such as California Steel Industries, Oregon Mills and AK Steel.⁴
- If the President determines that a cut out for hot-rolled steel imported for re-rolling is not workable within the framework of an exclusion, the President should provide a separate tariff-rate quota for hot-rolled feedstock used for re-rolling. The quota element would be based on import levels during 2000 with country-specific allocations based on historical shares during that period.
- At most, the President should impose an anti-surge mechanism in the form of a quantitative restriction or a TRQ based on the base period proposed by Commissioner Okun -- 1996, 1997 and July 2000 - June 2001. The quota should be allocated to historical suppliers and should be liberalized each year to account for increased U.S. consumption to produce value-added products.

² See, e.g., Final Report (Commissioner Okun) at 456-57 (concluding that there is U.S. overcapacity that must be addressed).

³ *Steel*, Inv. No. TA-201-73 (Dec. 2001) (Final Report) at 380 n.59.

⁴ See U.S. Government Report to the OECD, “Follow-up to Special Meeting at High-Level on Steel Issues” (Dec. 17, 2001) at 16-17 (U.S. OECD Steel Report).

II. Comments Regarding the ITC's Recommendations for Hot-Rolled Steel

A. Summary

A host of Title VII measures have driven primary, secondary and even tertiary suppliers out of the U.S. market for hot-rolled steel. During the period January-June 2001, imports (other than imports from Canada, which the Commission excluded, and from Korea, which are captively consumed by UPI) composed only 2.64% of the U.S. market. Thus, imports of hot-rolled steel already have been restricted to the point of exclusion. Further restriction will do nothing to assist positive adjustment.

Should the President nonetheless choose to provide an import relief remedy, that remedy should be directed narrowly at the specific underlying causes of the serious injury. First, the President should exclude imports of hot-rolled steel used by U.S. steel makers used for re-rolling into other flat-rolled products. These imports are used by U.S. steel manufacturers and are critical to any meaningful restructuring of this industry. Moreover, they never enter the merchant market. As the U.S. government noted in its Report to the OECD, these imports present precisely the same problem as slab imports in that they serve as feedstock for U.S. steel producers and are critical to the successful restructuring of the U.S. steel industry.⁵ These imports do not "injure" U.S. steel producers -- but their exclusion through prohibitive tariffs or other means would injure those U.S. producers that depend upon access to reliable quality feedstock. Our comments present several potential solutions. To emphasize the importance of this issue, not merely to POSCO, but to UPI and its unionized workers, we have attached a letter sent by UPI's union representatives to Congressman George Miller.

Second, the U.S. industry claims that the injury it is currently experiencing is due to the "continuing effects" of volume and prices of imports in 1998, not import levels today.⁶ The Commission agrees,⁷ despite low import levels and no current underselling. In addressing this problem, Commissioner Okun recognized the extent to which Title VII measures have already addressed the issue of imports which is one of the primary reasons she rejected tariffs as a solution to this problem. Her solution -- a quantitative restriction based on the period of 1996, 1997, July 2000 - June 2001, would prevent a reoccurrence of the events of 1998 and would specifically address the injury as it was identified by the domestic industry. Allocations of quota would be based on historical shares during that period.

⁵ U.S. OECD Steel Report at 16-17.

⁶ See, e.g., *Steel*, Inv. No. TA-201-73 (Final), Injury Hearing Transcript (Injury Tr.) at 1005 and 1008 (Statement of Mr. Althoff (LTV)); at 1024-25 (Statement of Prof. Fruehan (Carnegie-Mellon Univ.)); at 1029 (Statement of Mr. Kinney (Blair Strip Steel)).

⁷ Final Report at 63-65.

B. Any Relief on Hot-Rolled Should Recognize and Address the Specific Issues of Hot-Rolled Steel Used as Feedstock for Re-Rolling

Regarding the U.S. hot-rolled steel market, two facts predominate. First, imports of hot-rolled steel are an invaluable input to U.S. steel producers that rely on imports to produce downstream flat-rolled products. For example, virtually all imports of hot-rolled coil from Korea to the United States are used as feedstock by USS-POSCO Industries (UPI) to produce cold-rolled, galvanized and tin plate. UPI depends on hot-rolled coil from POSCO, and other U.S. companies such as Steelscape are in a similar position – they, too, depend on imports of hot-rolled steel (or other feedstock, such as slab or full-hard, cold-rolled steel). These imports are conceptually the same as slabs – they are imports that are not sold on the merchant market but, instead, are used by U.S. steel companies to produce downstream, value-added flat-rolled products.⁸ The only difference is that slab is simply one process further removed.

Some might assert that, because the Commission grouped hot-rolled steel with other flat products, the President should not focus on facts specific to hot-rolled steel. This is incorrect. Any remedy must address the conditions that prevail in each product market. A failure to separate the products would ignore differences in conditions of competition, particularly import levels and trends – data crucial to understanding each market and, thus, to fashion a remedy.⁹ The Commission recognizes that a like product cut out is necessary to protect U.S. steel-makers relying on an imported input, *i.e.*, slab, to produce downstream products. U.S. government has recognized in the OECD that, in this regard, imports of hot-rolled steel used as feedstock are similar to imports of slab used as feedstock.¹⁰ The President should consider this fact as he designs the remedy.

1. The President Should Exclude Hot-Rolled Steel Supplied by POSCO or Other Foreign Producers to UPI or Other U.S. Companies for Re-rolling

The President should exclude from any remedy on a most-favored-nation (MFN) basis all imports of hot-rolled steel used by a U.S. steel maker for re-rolling to produce other flat-rolled products and certified by the U.S. steel maker as such. Like imports of slab, these imports strengthen the U.S. industry.

⁸ This fact was recognized by the U.S. government in its recent report to the OECD on steel issues. See U.S. OECD Steel Report at 16-17.

⁹ In this regard, at least, the President should follow the precedent established by the Commission in the 1984 case where it recommended distinct, product-specific remedies, even though it found hot-rolled steel, cold-rolled steel, galvanized steel and other sheet and strip to be a single like product. See *Carbon and Certain Alloy Steel Products*, Inv. No. TA-201-51, USITC Pub. 1553 at 2-3 and 72 (July 1984) (Commissioners Eckes, Lodwick and Rohr recommending separate remedies for the following flat products: a TRQ for semi-finished, and separate quotas for hot-rolled, cold-rolled, galvanized, other sheet and strip and plate).

¹⁰ U.S. OECD Steel Report at 16-17.

Imports of hot-rolled steel are an invaluable input to many U.S. steel producers that rely on imports to produce downstream flat-rolled products. For example, virtually all imports of hot-rolled coil from Korea to the United States are used as feedstock by USS-POSCO Industries (UPI) to produce cold-rolled, galvanized and tin plate. UPI depends on captively supplied hot-rolled coil from POSCO to supply half of its raw material needs (the other half is captively supplied by USS). Other U.S. companies such as Steelscape are in a similar position – they, too, depend on imports of hot-rolled steel (or other feedstock, such as full-hard, cold-rolled steel). These imports never enter the merchant market; they are conceptually the same as slabs – they are simply one process further removed. For these reasons, they are critical to any meaningful restructuring of the U.S. industry.

POSCO filed on October 17, 2001 with the ITC and on November 19, 2001 with the TPSC an exclusion request covering its exports to the United States of hot-rolled steel that are imported by UPI to manufacture cold-rolled steel, galvanized steel and tin plate. The main points of these submissions are summarized below for the convenience of the TPSC.

In general, the exclusion mechanism is central to achieving the purposes of the law – helping the U.S. industry adjust and increasing its competitiveness.¹¹ The statute requires the President to consider various conditions of competition.¹² Central to the conditions of competition for cold-rolled steel is the need for a continuous captive supply of hot band, the primary input to cold-rolled steel production. UPI (and other U.S. companies) must have a dedicated source of hot band to survive and an exclusion from any remedy is necessary to secure this supply.¹³

As narrowly defined in the exclusion request, the hot-rolled steel UPI imports from POSCO is used by UPI only to produce cold-rolled steel, galvanized steel and tin plate. None of the hot-rolled steel imported by UPI from POSCO competes in the merchant market with hot-rolled steel produced domestically. Moreover, UPI's specifications are not for commodity-grade hot-rolled coil used for general purposes. Given UPI's supply and quality and grade requirements, hot bands sold in the open market by domestic companies or captively supplied to affiliated cold-rolling operations at other companies cannot substitute for the hot bands that POSCO supplies to UPI.¹⁴ Imports from POSCO are necessary because no U.S. producer can supply all of UPI's requirements.¹⁵

¹¹ See 19 U.S.C. § 2252(e)(1).

¹² See 19 U.S.C. § 2253(a)(2)(B)-(J) (2001).

¹³ For a complete discussion of the fundamental reasons behind the absolute requirement for a captive supply of hot band in the production of cold rolled steel, *see also* UPI's Prehearing Brief on Injury (submitted to the ITC on September 10, 2001) (UPI's Prehearing Injury Brief) at 2-10.

¹⁴ In the context of Title VII investigations, the Commission has recognized the importance of captive supply of hot-rolled steel, and the limited competitive effect captive supply has on domestic hot-rolled producers. *See Certain Flat-Rolled Carbon Steel Products from Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Poland,*

(continued...)

Finally, imports of hot-rolled steel from Korea have not increased and have not been tied to serious injury to the U.S. industry. There is a reason for this. Imports of captively supplied hot band from POSCO, which account for virtually all of hot-rolled steel imports from Korea, have remained stable.¹⁶ POSCO purposely has not participated meaningfully in the U.S. merchant market since 1988, specifically to preserve its ability to supply UPI. The unique nature of POSCO's supply relationship was recognized by USTR in 1989 when it allowed POSCO to export 700,000 metric tons of hot-rolled for UPI and by the ITC in 1993 when it decumulated imports of hot-rolled from POSCO from imports of hot-rolled from other suppliers on the basis that POSCO's imports did not compete with the other imports.¹⁷

To narrowly define the scope of the exclusion, the President might wish to impose an end-user certification requirement. This would require UPI and other U.S. steel producers importing hot-rolled steel for re-rolling into other flat-rolled products to certify that they used the excluded product to produce cold-rolled steel, galvanized steel or tin plate and that the hot-rolled steel was not sold in the merchant market. Because the universe of users is limited, this would not be a burdensome requirement. Such a requirement should answer any bona fide concerns regarding the effect and scope of the exclusion.

2. In the Alternative, the President Should Establish a TRQ for Hot-Rolled Steel Used for Re-Rolling Based on Import Levels in 2000

If the President decides not to exclude imports used for re-rolling, the President should impose a tariff-rate quota (TRQ). By way of background, it is important to note that the United States has historically recognized the problem conundrum posed by captively supplied imports of hot-rolled and sought creative solutions to address the needs of U.S. steel producers who rely on these imports:

Romania, Spain, Sweden, and the United Kingdom, USITC Pub. 2664, Inv. Nos. 701-TA-319-332, 336-342, and 347-353 and Inv. Nos. 731-TA-573-579, 581-592, 594-592, 599-609, and 612-619 (Aug. 1993) (final) at 21.

¹⁵ See UPI's Prehearing Injury Brief at 8; Affidavit of Robert R. Smith, President, USS-POSCO Industries, (Smith Affidavit), attached as Exhibit A to UPI's Prehearing Brief, at ¶¶ 26, 28 and 30. See also correspondence originally submitted as Exhibit 1 to Respondents' Joint Prehearing Brief on Hot-Rolled Steel (submitted to the ITC on Sept. 10, 2001).

¹⁶ See U.S. Imports of Steel Products, detail by steel product Groups, G03 – Carbon Flat: Hot-rolled sheet and strip, USITC Dataweb, http://dataweb.usitc.gov/scripts/steel_reports.

¹⁷ See *Certain Flat-Rolled Carbon Steel Products from Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Poland, Romania, Spain, Sweden, and the United Kingdom*, USITC Pub. 2664 at 40 (deciding that, “{b}ased on the unusual facts and circumstances of {the UPI} case, we decline to cumulate imports from Korea with other subject imports based on grounds of noncompetition”), affirmed, *United States Steel Group v. United States*, 873 F. Supp. 682 n.5, 685-89. Moreover, in the context of its investigations under Title VII of the Tariff Act of 1930, the Commission has recognized the importance of captive supply of hot-rolled steel, and the limited competitive effect captive supply has on domestic hot-rolled producers. See *id.* at 21.

- At the time of the formation of the UPI joint venture, USTR Yeutter and Secretary of Commerce Baldrige hailed UPI's business model.
- In 1989, when the VRA's were renegotiated, the United States agreed to allow Korea quota to supply 700,000 MT of hot-rolled coil for UPI (half of UPI's requirement) -- despite the absence of a historic base.
- In 1993, the ITC decumulated imports of hot-rolled from Korea from imports from other countries because it determined that virtually all hot-rolled imported from Korea was captively supplied to UPI.
- Korea was not subject to the Title VII actions against hot-rolled steel in 1998 or 2000 because POSCO still supplies hot-rolled only to UPI and does not participate in the merchant market for hot-rolled steel.
- The U.S. government recognized in its recent report to the OECD that the situation confronting UPI regarding hot-rolled imports is similar to that of Oregon Mills, AK Steel and CSI for slabs.

The TRQ should be based on import levels in 2000 and should be subject to an end-use certification requirement. The over-quota duty level should be established at 10%. In this instance, such a lesser remedy is justified because, as noted during the ITC's hearings by Thomas Usher of U.S. Steel, like slab imports, imports of hot-rolled steel used for re-rolling by UPI do not injure the U.S. industry.¹⁸

C. The President Should Not Impose Additional Tariffs

The President should not impose additional tariffs on imports of hot-rolled steel as recommended by the ITC. To do so would be inappropriate and, for many reasons, unwise. The primary reason is that a twenty percent tariff is preclusive. It would virtually lock imports out of the U.S. market. This is due, in part, to the fact that many sources of imports already are subject to substantial Title VII tariffs. As recognized by Commissioner Okun, any remedy must account for the impact of existing Title VII measures and a quota is the only remedy that does so.¹⁹

Moreover, a substantial proportion of hot-rolled steel is consumed by U.S. producers of downstream products. An additional tariff would increase the cost to these producers. In effect, to impose a tariff would be to decrease the competitiveness of this sector of the U.S. industry, as

¹⁸ See Steel, Inv. No. TA-201-73, transcript of injury hearing at 539.

¹⁹ Final Report at 458.

compared to other sectors of the U.S. industry. This would directly contradict the goal of the Section 201 remedy of strengthening the U.S. industry as a whole.²⁰

It is clear that the goal of a tariff is to further reduce the quantity of imports. If so, this is best accomplished directly through a quantitative restriction, the most direct method available. This is confirmed by Commissioner Okun, who selected quotas in part because they “are predictable because they cap the level of imports that may enter during any phase of time.”²¹

Alternatively, the goal of a tariff might be to increase prices. Indeed, the Commission asserts that its “tariff-based remedies . . . are intended to increase domestic prices, shipment volumes, and industry profitability.”²² However, even a cursory examination of the data belies this assertion. The stark reality is that the U.S. industry currently controls over 95% of the hot-rolled market. Are we to believe that additional tariffs on the remaining 5% of the market comprising imports will increase domestic prices? The results of the last 12 months prove that this absolutely is not the case.

As the table below shows, the recent Title VII measures have driven hot-rolled imports largely out of the U.S. market. For interim 2001 (January-June), when one excludes Canadian imports (as the Commission did) and Korean imports (which are captively consumed by UPI²³), the share of imports of hot-rolled steel which compete with U.S. production for purposes of the remedy is a mere 2.64%.²⁴ This is far too low a level to have price effects in the U.S. market.

²⁰ See, e.g., 19 U.S.C. § 2252(e)(1) (2001) (referring to “facilitating efforts of the domestic industry to make a positive adjustment” (emphasis added)).

²¹ Final Report at 457. Commissioner Okun further notes that quotas serve to buoy prices by eliminating any incentives to lower prices to gain volume. *Id.* She also recognizes that a quota would permit entry of products which the domestic industry does not produce. *Id.*

²² *Id.* at 370.

²³ See *Certain Flat-Rolled Carbon Steel Products from Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Poland, Romania, Spain, Sweden, and the United Kingdom*, USITC Pub. 2664 at 40 (deciding that, “[b]ased on the unusual facts and circumstances of {the UPI} case, we decline to cumulate imports from Korea with other subject imports based on grounds of noncompetition”), *affirmed*, *United States Steel Group v. United States*, 873 F. Supp. 682 n.5, 685-89.

²⁴ Figures for total imports, Canadian imports, and U.S. consumption are from the Commission’s Final Report at Table FLAT-36, Table FLAT-37 and Table FLAT-53, respectively. Korean import data is from the U.S. Department of Commerce, Bureau of the Census, IM 145.

**Comparison of U.S. Consumption of Hot-Rolled Steel
to Imports that Affect the U.S. Merchant Market
(short tons)**

	2000	Jan.-June 2000	Jan.-June 2001
U.S. Consumption	75,092,608	40,914,182	33,915,816
Total Hot-Rolled Imports to U.S.	5,896,915	3,626,021	1,331,980
Canadian HR Imports	295,483	162,782	142,705
Korean HR Imports	817,675	438,048	295,408
Total Adjusted Imports	4,783,757	3,025,191	893,867
Adjusted Imports/U.S. Consumption	6.37%	7.39%	2.64%
U.S. Market Share	92.15%	91.14%	96.08%

Source: Figures for total imports, Canadian imports and U.S. consumption are from the Commission's Final Report at Table FLAT-36, Table FLAT-37 and Table FLAT-53, respectively. Korean import data is from the U.S. Department of Commerce, Bureau of the Census, IM 145.

As Joint Respondents have demonstrated, prices are determined by demand and aggressive competition among domestic producers, not by the low volume of imports.²⁵

D. At Most, the President Should Impose a Quota Regime to Protect Against Import Surges

In spite of the degree to which Title VII measures have restricted imports, the President may remain concerned about import surges. If so, we urge the President to select a quota regime like that recommended by Commissioner Okun and to tailor it carefully. The Year One Quota would be 4,928,712 short tons, as shown below.

Subject Imports of Hot-Rolled Steel²⁶ (short tons)			
1996	1997	7/2000 - 6/2001	Year One Quota (Avg. 1996-1997 and 7/2000 - 6/2001)
4,523,034	5,943,689	4,789,765	4,928,712

Source: U.S. Department of Commerce, Bureau of the Census, IM 145

Regarding Korea's share of the quota, regardless of the representative period chosen by the Commission, the average quantity of imports of hot-rolled steel from Korea would range from 810,000 to 830,000 tons per year. For example, even if the President used the period 1996 to 1998 as the representative period, imports from Korea averaged 810,000 tons in that period,

²⁵ See Respondents' Joint Hot-Rolled Prehearing Brief (submitted to the ITC on Sept. 10, 2001) at 39-48.

²⁶ "Subject imports" is total imports of hot-rolled steel less imports from Canada, the Dominican Republic, Guatemala, El Salvador and Peru.

and at least that level of imports should remain free of import restrictions. The reason, of course, is that POSCO's exports to UPI have been consistent and based solely on the needs of UPI.

In recommending any quota regime, the President should consider two additional factors, the first of which is particular to Korea. One, we recommend, including a significant liberalization each year – we suggest six percent – to allow for normal fluctuations in demand. This would be consistent with the statute and relevant WTO provisions.²⁷

Two, the President should carefully allocate the quota shares to historical suppliers that actually can export to the United States and are not subject to prohibitive Title VII duties.²⁸ Only by taking this action can the President ensure a supply of non-injurious hot-rolled steel at historical levels. This practice would conform with U.S. law as well as relevant WTO provisions,²⁹ which require the consideration of all relevant “special factors” when allocating individual country quotas. Given that many suppliers are subject to Title VII measures which serve to bar their exports to the United States, the existence of the measures is a “special factor” which must be taken into account in assigning quota shares. Suppliers with very high margins obviously are not going to be able to fully supply their quota. Therefore, unless there is a reallocation of the shares of those suppliers, the structure of the quota would prevent the full use of the quota, in violation of Article XIII.³⁰

²⁷ See 19 U.S.C. § 2252(c) (2001); Safeguards Agreement, Article 7.4.

²⁸ See Joint Respondents' Hot-Rolled Posthearing Brief (submitted to the ITC on September 28, 2001) at Exhibit 9.

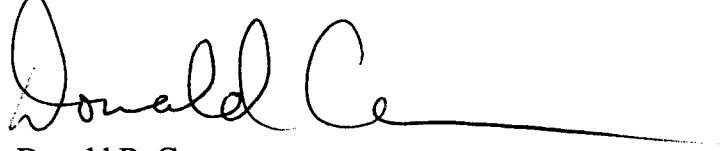
²⁹ See GATT, Article XIII:2(d); Agreement on Safeguards, Article 5.2(a).

³⁰ According to GATT Article XIII:2(d), “{n}o conditions or formalities shall be imposed which would prevent any contracting party from utilizing fully the share of any such total quantity or value which has been allotted to it” This provision requires the U.S. government to ensure that the other restrictions it imposes do not, themselves, preclude countries from enjoying their quota access to the U.S. market.

III. CONCLUSION

As demonstrated above, the recommendations of the Commission regarding hot-rolled steel are deficient. They would substantially harm U.S. steel consuming industries and would burden U.S. consumers without benefiting the U.S. industry. The U.S. industry already enjoys substantial import relief. Now, the next step – domestic adjustment in the form of reductions in inefficient capacity and legacy cost relief – must be taken. We respectfully request the President to consider the foregoing comments in deciding what actions to take.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Donald B. Cameron", followed by a long horizontal line extending to the right.

Donald B. Cameron

Julie C. Mendoza

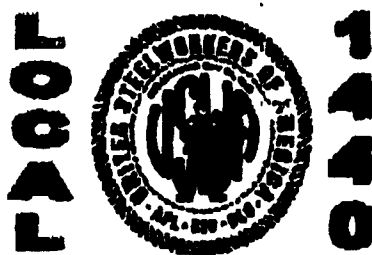
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Attachment

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The Honorable George Miller
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Washington, D.C. 20515

Re: Steel 201 Investigation

Dear Congressman Miller:

We hope this letter finds you well.

We write on behalf of the approximately 800 USWA represented employees of USS-POSCO Industries (UPI), a flat rolled steel producer located in Pittsburg, California, to request your help on the remedy to be imposed by the President as a result of the section 201 investigation on steel imports.

By way of background, in June of this year the Bush Administration requested that the U.S. International Trade Commission (ITC) conduct a safeguard investigation under section 201 of the Trade Act to determine if imports of steel products were injuring the domestic steel industry. On October 22nd, the ITC unanimously concluded that imports of flat-rolled steel products, including hot-rolled steel coil, were a substantial cause of injury to domestic producers of those products. Last Friday, December 7th, the ITC announced its recommendation on the remedy that should be imposed by the President as a result of its affirmative injury determination.

In that vote, a majority of the Commissioners voted in favor of a different remedy on imports of slabs as opposed to imports of hot-rolled steel. In particular, 5 out of the 6 Commissioners recommended that the President impose a tariff ranging from 20 to 40 percent on all imports of hot-rolled steel. If adopted by the President, this section 201 import restriction would apply to our imports of hot-rolled steel from our parent company POSCO in Korea. However, with respect to slabs, a majority of the Commissioners recommended a tariff rate quota under which up to 7 million tons of slabs per year could be imported into the U.S. with no tariff. We are concerned that if this remedy recommendation is adopted by the President our competitive position vis-à-vis our largest competitor in the West,

California Steel Industries (CSI), located in Fontana, California, will be severely eroded. We believe this is so for the following reasons.

As you know, UPI is captively supplied by its two parent companies (USX and POSCO) with hot-rolled steel which we convert in our downstream finishing facilities into cold-rolled steel, galvanized steel sheet, and tin mill products. This captive supply arrangement with our parent companies has been in effect since UPI was formed in 1986. You may recall that in 1993 the ITC found that our imports of hot-rolled steel from POSCO in Korea were not a cause of injury to the domestic steel industry. In addition, there has been no trade case brought against Korea since that time involving our imports of hot-rolled steel from POSCO. Over the last several years, we have imported on average about 800,000 tons of hot-rolled steel a year from POSCO. This feedstock from POSCO is critical to UPI because USX cannot supply all of our requirements of hot-rolled steel which average about 1.6 million tons per year.

Since 1986, UPI has invested over \$500,000,000 in new plant and equipment to become one of the premier steel facilities in the world. Over the last several years we have been ranked as one of the best steel producers in the U.S. in terms of the quality of our products and the service we provide to our customers, most of whom are located in California. Given a level playing field, we feel we have the high-tech equipment and the highly trained workforce necessary to compete and succeed in a global economy. We feel that without the sacrifices made by our members and our union, none of this would have been possible. We are proud of the contributions we have made to the success of UPI and believe that the security of our jobs is directly tied to the financial success of the company.

All of this, however, may now be in jeopardy if the President adopts the remedy recommendation of the ITC. Unlike UPI, CSI is a non-union company that imports about 1.7 million tons of slabs per year from a variety of foreign mills around the world. Total slab imports for the year 2000 amounted to 7.3 million tons and will be substantially less than that in 2001. If the President accepts the remedy recommendation of the ITC, CSI will be able to continue importing slabs from whatever foreign source happens to be the cheapest at the time with no financial penalty. We, on the other hand, could be faced with paying tariffs on our imports of hot-rolled steel which could cost us as much as \$85,000,000 a year if a tariff of 40% was imposed. We do not believe this would be fair. We do not believe that as a matter of policy the government should be dictating who the winners are among U.S. steel companies. That's for the marketplace to decide. All we ask for is a level playing field.

While we are well positioned to survive, and indeed thrive, in the fiercely competitive steel market, we simply cannot compete effectively with one hand tied behind our back. If the U.S. Government arbitrarily chooses to impose additional costs on UPI, our ability to compete with CSI in the production of cold rolled and galvanized sheet products will be severely compromised.

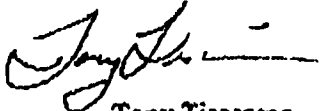
In order to prevent this, we believe any remedy imposed by the President should exclude imports of the types of hot rolled steel we import from POSCO. Failing that, we believe any such remedy should incorporate a tariff rate quota for imports of hot rolled steel similar to that recommended by the ITC for imports of slabs. A remedy that incorporates either alternative would preserve the level playing field we need to compete with CSI.

To accomplish this, we need your help. As you may know, the Administration is currently conducting a separate trade policy review concerning what action, if any, the President should take in response to the remedy recommendation of the ITC. As part of that review, interested parties may submit written comments to the USTR by December 28th on the remedy that should be imposed as a result of the 201 steel investigation. The company intends to submit a letter to the USTR by that deadline, a draft of which we understand will be sent to you shortly. When you receive that letter, we would greatly appreciate your sending a letter to the USTR in support of the company's position. We would also ask that you contact other officials in the Administration to enlist their support in favor of a remedy that does not unfairly penalize UPI.

Your assistance in this matter would be greatly appreciated. As always, should you need any additional information, please do not hesitate to contact us.

We hope you have a nice holiday season.

Very truly yours,



Tony Tiscareno
Vice President, Local 1440

Very truly yours,



Bob Witt
President, Local 2571